Enrolment No./Seat No________________

GUJARAT TECHNOLOGICAL UNIVERSITY

BE - SEMESTER–IV EXAMINATION – SUMMER 2025

Subject Code:3140709 **Date:19-05-2025**

Subject Name: Principles of Economics and Management

Time: 10:30 AM TO 01:00 PM **Total Marks:70**

Instructions:

1. **Attempt all questions.**
2. **Make suitable assumptions wherever necessary.**
3. **Figures to the right indicate full marks.**
4. **Simple and non-programmable scientific calculators are allowed.**

			MARKS
Q.1	**(a)**	Define: Economics, Management and Ethics.	**03**
	(b)	Explain Perfect Competition Market with its characteristics.	**04**
	(c)	List and describe four determinants of productivity.	**07**
Q.2	**(a)**	In what ways is economics a science?	**03**
	(b)	An increase in the demand for notebooks raises the quantity of notebooks demanded but not the quantity supplied." Is this statement true or false? Explain.	**04**
	(c)	Describe the break even analysis curve with suitable example.	**07**
		OR	
	(c)	Define the price elasticity of supply. Explain why the price elasticity of supply might be different in the long run than in the short run.	**07**
Q.3	**(a)**	Discuss the characteristics of Oligopoly market.	**03**
	(b)	Explain Law of variable proportions.	**04**
	(c)	Explain GNP, GDP, NNP,NDP.	**07**
		OR	
Q.3	**(a)**	Describe causes of inflation.	**03**
	(b)	What do you understand by term absolute & relative poverty.	**04**
	(c)	Explain in detail what items would you include to figure out the opportunity cost of a vacation to Disney World.	**07**
Q.4	**(a)**	Explain with example sunk cost and variable cost	**03**
	(b)	Differentiate management and administration..	**04**
	(c)	Explain the types of managers with examples.	**07**
		OR	
Q.4	**(a)**	Describe functions of RBI	**03**
	(b)	Explain Needs Maslow's theory of management.	**04**
	(c)	Explain types of money in detail.	**07**
Q.5	**(a)**	Enlist types of money.	**03**
	(b)	Explain importance of Corporate Social Responsibility.	**04**
	(c)	Explain skills of managers in detail.	**07**
		OR	
Q.5	**(a)**	Justify Management is an art .	**03**
	(b)	Explain Business Ethics in detail.	**04**
	(c)	Explain importance & attributes of culture in an organization.	**07**

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Q.1 (a) Define: Economics, Management and Ethics. [marks-3]

Economics:

Economics is the study of how individuals, businesses, and governments make choices regarding the allocation of scarce resources to satisfy unlimited wants. It involves analyzing production, consumption, and distribution of goods and services. Economics helps in understanding market behavior, demand and supply, pricing, and the factors influencing economic decisions. Its main purpose is to optimize resource utilization and improve living standards. Economics provides tools for decision-making and planning, ensuring that resources are used efficiently and effectively.

Management:

Management is the process of planning, organizing, leading, and controlling resources to achieve organizational goals efficiently and effectively. It involves coordinating human, financial, and physical resources to produce desired results. Management ensures proper delegation, motivation, and supervision to achieve productivity. It is needed to maintain order, improve efficiency, and guide employees toward common objectives. Effective management enhances decision-making, problem-solving, and overall organizational performance.

Ethics:

Ethics refers to the principles or standards that guide human behavior in terms of what is right and wrong. It helps individuals and organizations act morally and responsibly. Ethics is essential in business and society to build trust, ensure fairness, and maintain professional integrity. Ethical behavior prevents exploitation, corruption, and unfair practices. It promotes transparency, accountability, and social responsibility, contributing to sustainable and honest practices in every sphere of life.

(b) Explain Perfect Competition Market with its characteristics. [marks-4]

Perfect Competition Market

Definition:

A perfect competition market is a type of market structure in which a large number of buyers and sellers operate, selling homogeneous products with no single participant having the power to influence the market price. It is considered an ideal market model in economics where efficiency is maximized.

Explanation:

In a perfectly competitive market, every seller and buyer has complete knowledge about prices and products. No barriers exist for entering or exiting the market, and firms are price takers, meaning they accept the market-determined price. This market structure leads to optimum allocation of resources and ensures that goods are produced at the lowest possible cost.

Characteristics of Perfect Competition Market:

- **Large Number of Buyers and Sellers:** No single buyer or seller can influence the market price.
- **Homogeneous Products:** All goods offered are identical in quality and features.
- **Free Entry and Exit:** Firms can enter or leave the market without any restrictions.
- **Perfect Knowledge:** Buyers and sellers have full information about prices, quality, and availability.
- **Price Takers:** Firms accept the market price and cannot influence it.
- **No Transportation or Selling Costs:** There are no extra costs that affect the pricing mechanism.

Advantages:

- Ensures efficient allocation of resources.
- Promotes competition and prevents monopoly.
- Consumers get goods at fair prices.

Short Example:

Agricultural markets for products like wheat or rice often resemble perfect competition, as many farmers sell identical products, and no single farmer can control the price.

(c) List and describe four determinants of productivity. [marks-7]

Determinants of Productivity

Introduction / Definition:

Productivity means how well we use our resources like workers, machines, and materials to make goods or provide services. Higher productivity means more output with the same resources. Good productivity saves money, increases profit, and helps a business or country grow. Knowing what affects productivity helps organizations improve their efficiency.

Explanation:

Productivity depends on many factors. These factors help workers do their jobs faster, reduce waste, and produce better results. By improving these factors, a company can make more products in less time and with lower cost.

Four Determinants of Productivity:

1. **Quality of Workers (Labor):**
   - Skilled, experienced, and hard-working employees work faster and make fewer mistakes.
   - Training and education improve workers’ skills.
   - **Example:** Skilled software programmers can write better code faster than beginners.
2. **Technology and Machines:**
   - Modern machines and tools make work faster and easier.
   - Automation and computers help reduce errors and save time.
   - **Example:** A car factory with automatic machines can produce many cars quickly compared to manual work.
3. **Good Management:**
   - Planning, organizing, and guiding work properly makes productivity better.
   - Good managers make sure work is done smoothly without delays.
   - **Example:** Properly managing a factory schedule ensures production happens on time.
4. **Work Environment and Motivation:**
   - Safe, clean, and comfortable workplaces help employees work better.
   - Rewards, recognition, and encouragement keep employees motivated.
   - **Example:** Employees in a safe and positive office finish tasks faster and do better work.

Key Points:

- Productivity shows how efficiently resources are used.
- It depends on workers, machines, management, and environment.
- Can be improved by training, better tools, and good work culture.

Advantages:

- More output with same input.
- Lower production cost per product.
- Higher profit and better competitiveness.
- Motivated employees work better.

Challenges / Disadvantages:

- Focusing too much on productivity can stress workers.
- Needs continuous investment in machines and training.
- Poor management or low motivation can reduce productivity.

Applications:

- Factories, service companies, and offices can increase output using these factors.
- Governments use productivity measures to improve the economy.

Example:
In a car factory, productivity depends on skilled workers, good machines, proper management, and a safe workplace. If all these are improved, the factory can produce more cars faster and cheaper. A textbook diagram would show "Inputs" like labor, machines, management, and environment leading to "Output," showing how each factor affects productivity.

Conclusion:
The four main factors that determine productivity are labor quality, technology, management, and work environment. Improving these makes work easier, faster, cheaper, and better. Every business or country can grow by focusing on these factors.

Q.2 (a) In what ways is economics a science? [marks-3]

Economics as a Science

Introduction / Definition:
Economics is the study of how individuals, businesses, and governments make choices regarding the use of scarce resources to satisfy unlimited wants. It is a branch of social science that analyzes human behavior in producing, distributing, and consuming goods and services. Economics aims to understand how people make decisions, allocate resources, and respond to economic problems.

Why Economics is Considered a Science:

1. **Systematic and Organized Study:**
    - Economics studies human economic activities in a structured way.
    - It identifies patterns, relationships, and causes of economic behavior rather than studying randomly.
2. **Use of Observations and Facts:**
    - Economists collect data from markets, industries, and households.
    - Real-world observations form the basis for understanding economic trends and problems.
3. **Formulation of Theories and Laws:**
    - Economics develops principles and laws, such as the law of demand, law of supply, or theory of production.
    - These laws help explain why people behave in certain ways economically.
4. **Prediction and Forecasting:**
    - Like natural sciences, economics can make predictions about the future, such as price changes, employment trends, or market fluctuations.
    - This helps governments and businesses plan and make informed decisions.
5. **Objective Analysis:**
    - Economics relies on evidence, logic, and reasoning rather than opinions or personal beliefs.
    - It uses scientific methods to study problems and suggest solutions in a rational manner.
6. **Practical Applications:**

- Economics provides tools to solve real-life problems like inflation, unemployment, resource scarcity, and trade issues.
- This makes it both a theoretical and applied science.

Conclusion:
Economics is a science because it systematically studies human behavior, formulates laws, uses facts and observations, predicts outcomes, and provides practical solutions. It combines logical reasoning with real-world evidence to understand economic activities and guide decision-making for individuals, organizations, and governments.

(b) An increase in the demand for notebooks raises the quantity of notebooks demanded but not the quantity supplied." Is this statement true or false? Explain.

Demand and Supply of Notebooks

Statement Analysis:
The statement, *"An increase in the demand for notebooks raises the quantity of notebooks demanded but not the quantity supplied,"* is **TRUE**. This is because a change in demand affects only the quantity demanded at the existing price, while the quantity supplied will remain the same unless producers respond to changes in price or production capacity.

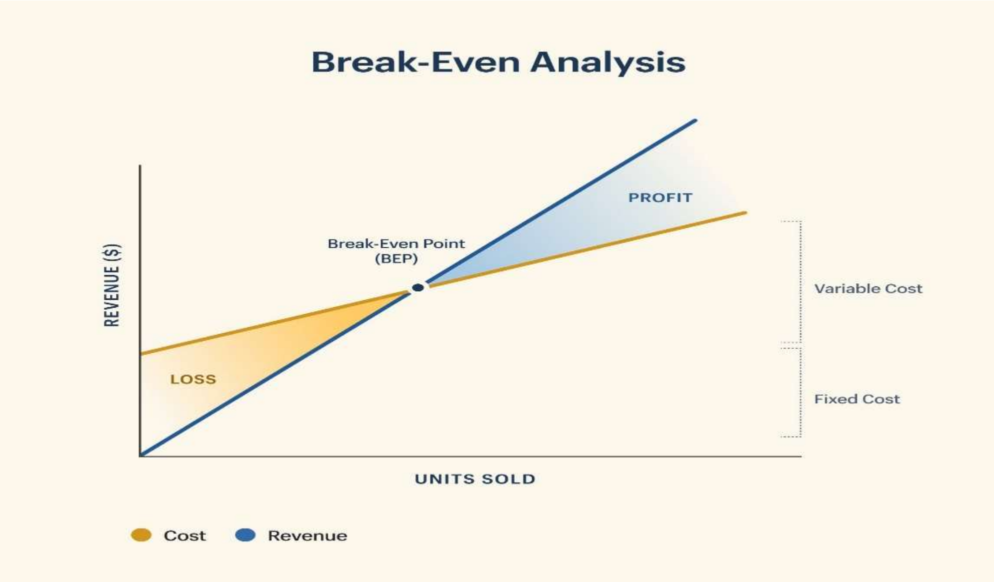
Detailed Explanation:

1. **Understanding Demand and Quantity Demanded:**
    - **Demand** refers to the relationship between the price of a product and the quantity buyers are willing to purchase over a period of time.
    - **Quantity demanded** is the specific amount that consumers are ready to buy at a particular price.
    - When demand increases, more consumers want the product at the same price, which raises the quantity demanded.
2. **Understanding Supply and Quantity Supplied:**
    - **Supply** is the relationship between the price of a product and the amount sellers are willing to sell.
    - **Quantity supplied** is the actual amount that sellers provide at a specific price.

    - Quantity supplied does not automatically change just because demand has increased. Producers will only increase supply if the market price rises or if they can produce more efficiently.
3. **Why the Statement is True:**
    - An increase in demand shifts the demand curve to the right.
    - At the current price, buyers want more notebooks than before.
    - Sellers may not immediately supply more notebooks because production and supply decisions take time.
4. **Example for Better Understanding:**
   Suppose a new academic year begins, and more students need notebooks. At the current market price of ₹50 per notebook:
    - Students now want 1,000 notebooks instead of 700.
    - The quantity demanded has increased due to higher demand.
    - However, sellers may still have only 700 notebooks available in stock. The quantity supplied remains the same until they produce more or increase the price.
5. **Adjustment in Market:**
    - Over time, the shortage caused by higher demand may push prices up.
    - Higher prices incentivize producers to supply more notebooks, eventually balancing supply and demand.
6. **Key Points / Features:**
    - Increase in demand → increase in quantity demanded at the same price.
    - Supply remains fixed unless producers take action.
    - Market equilibrium adjusts through price changes, not immediately through supply changes.
    - Shows the distinction between demand and quantity demanded versus supply and quantity supplied.

Conclusion:
The statement is correct. When demand increases, the quantity demanded rises at the current price, but the quantity supplied does not automatically change. Producers respond to price signals or production incentives, and the market gradually reaches a new equilibrium. Understanding this difference helps explain shortages, price fluctuations, and how markets adjust to changing consumer needs.

(c) Describe the break even analysis curve with suitable example.



Break-Even Analysis Curve

Introduction / Definition:
Break-even analysis is a technique used in business to determine the level of sales at which total revenue equals total cost. This level is called the **break-even point (BEP)**. At this point, the business neither earns a profit nor suffers a loss. Break-even analysis helps in planning production, setting sales targets, and making financial decisions. It is widely used in managerial economics and business management.

Detailed Explanation:
In any business, costs are divided into:

1. **Fixed Costs (FC):** Costs that remain the same irrespective of production level, such as rent, salaries, and insurance.
2. **Variable Costs (VC):** Costs that vary with production, such as raw materials, electricity, and labor per unit.

Total Cost (TC) = Fixed Costs + Variable Costs
Total Revenue (TR) = Selling Price × Quantity Sold

The break-even point is reached when:

[

\text{Total Revenue (TR)} = \text{Total Cost (TC)}

]

Break-Even Curve / Graph Description:

- **X-axis:** Number of units sold
- **Y-axis:** Money (Costs and Revenue)
- **Total Cost Line (TC):**
    - Starts at the fixed cost level on the Y-axis (since fixed costs exist even if nothing is sold)
    - Rises as output increases due to variable costs
- **Total Revenue Line (TR):**
    - Starts from zero and rises in a straight line (each unit sold adds revenue)
- **Break-Even Point (BEP):**
    - Point where the TR line intersects the TC line
    - At this point, the business has **no profit, no loss**
- **Loss Area:**
    - To the left of BEP
    - Costs are higher than revenue, so the business makes a loss
- **Profit Area:**
    - To the right of BEP
    - Revenue exceeds cost, so the business earns profit

Steps to Draw Break-Even Curve:

1. Determine fixed costs (e.g., rent, salaries).
2. Calculate variable cost per unit.
3. Compute total cost for various production levels.
4. Compute total revenue for the same production levels.
5. Plot TC and TR on a graph.
6. Identify the intersection point as the break-even point.

Key Features:

- Shows minimum sales required to avoid loss
- Distinguishes between profit, loss, and break-even regions
- Helps in pricing and production decisions

Advantages:

- Helps businesses plan production and sales
- Identifies cost structure and profitability
- Assists in short-term financial planning

Disadvantages / Limitations:

- Assumes costs and prices are constant
- Only suitable for single-product analysis
- Does not account for changes in demand or market conditions

Applications:

- Manufacturing units use it to decide minimum output
- Service providers use it to determine break-even in terms of clients or hours
- Helps in investment decisions and project evaluation

Example:
Suppose a notebook manufacturer has:

- Fixed costs = ₹10,000
- Variable cost per notebook = ₹20
- Selling price per notebook = ₹50

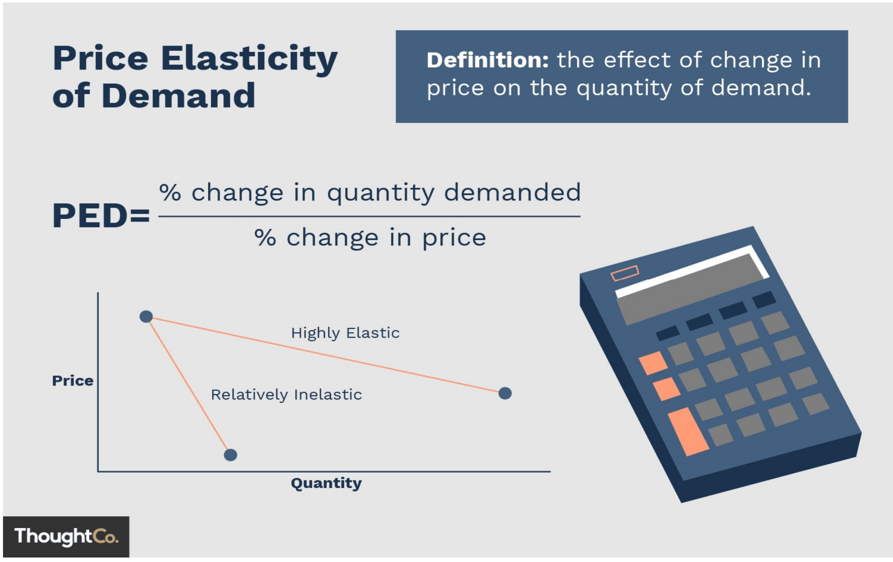
Break-even calculation:

[
\text{BEP (units)} = \frac{\text{Fixed Costs}}{\text{Selling Price – Variable Cost}} = \frac{10,000}{50-20} \approx 334 \text{ notebooks}
]

Explanation:
The company must sell **334 notebooks** to cover all costs. Selling fewer causes loss, selling more generates profit.

Conclusion:
Break-even analysis and its curve are vital for business planning. They visually and numerically show how many units must be sold to cover costs and how profit or loss changes with sales. This analysis helps managers make better pricing, production, and financial decisions.

OR: (c) Define the price elasticity of supply. Explain why the price elasticity of supply might be different in the long run than in the short run.



Price Elasticity of Supply (PES)

1. Definition (Detailed):

Price elasticity of supply (PES) measures the **degree of responsiveness of quantity supplied of a good or service to a change in its price**. In other words, it shows **how much the supply of a product changes when its market price changes**.

- If a small change in price leads to a large change in supply, the supply is **elastic**.
- If a large change in price leads to a small change in supply, the supply is **inelastic**.

Formula:

Price Elasticity Formula

$$\text{Price Elasticity of Demand} = \frac{\%\ \text{Change in the Quantity Demanded}\ (\Delta Q)}{\%\ \text{Change in the Price}\ (\Delta P)}$$

$$\text{Price Elasticity of Supply} = \frac{\%\ \text{Change in the Quantity Supplied}\ (\Delta Q)}{\%\ \text{Change in the Price}\ (\Delta P)}$$

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2. Key Features of PES:

1. **Responsiveness of Supply:**
   - PES measures how much the **quantity supplied changes** when the **price changes**.
   - Higher responsiveness → more elastic; lower responsiveness → inelastic.
2. **Positive Relationship with Price:**
   - Generally, **price and supply move in the same direction**.
   - When price rises, supply usually rises; when price falls, supply usually falls.
3. **Time Period Matters:**
   - PES is **different in short run and long run** because the ability to change production depends on time.
   - Short run → limited capacity → inelastic supply.
   - Long run → full adjustment possible → elastic supply.
4. **Range of Values:**
   - PES > 1 → **Elastic supply** (sensitive to price changes)
   - PES < 1 → **Inelastic supply** (less sensitive)
   - PES = 1 → **Unitary elastic supply**
5. **Dependence on Resources and Technology:**

    - Availability of raw materials, labor, machinery, and technology affects how easily supply can respond to price changes.
6. **Factor Influence:**
    - Storage capacity, spare production capacity, and ability to hire more workers or increase inputs affect PES.

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3. Why PES Differs in Short Run and Long Run:

Period	Characteristics	PES (Responsiveness)
Short Run	- At least one factor of production is fixed - Limited ability to increase output quickly - Example: Farmers cannot instantly increase land or machines	**Low / Inelastic** (<1)
Long Run	- All factors of production are variable - Firms can expand capacity, invest in machinery, hire labor, adopt new technology - Example: Factory can build new plant or machinery over years	**High / Elastic** (>1)

Explanation:

- In the short run, producers cannot easily change output due to fixed resources, so supply responds less to price changes.
- In the long run, producers can adjust all inputs, so supply becomes more flexible and responsive to price changes.

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4. Advantages of PES:

- Helps producers understand **how to respond to price changes**.
- Useful for **government policy planning** (taxation, subsidies).

- Helps in **predicting market behavior** and production planning.
- Indicates **flexibility of production** in the economy.

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5. Disadvantages / Limitations of PES:

- Difficult to measure accurately in real markets.
- Depends on assumptions like constant technology, which may not hold.
- Time period and availability of resources can vary, making PES less precise.
- Sudden external shocks (like natural disasters) can make PES irrelevant temporarily.

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6. Important Points to Remember:

- PES is always positive because price and supply move in the same direction.
- Supply is **more elastic in the long run** than the short run.
- Factors affecting PES: availability of raw materials, time period, spare capacity, storage possibilities, production flexibility.
- PES helps in **analyzing taxation, subsidies, and market equilibrium effects**.

(a) Discuss the characteristics of Oligopoly market.

Oligopoly Market – Characteristics

An **Oligopoly market** is a type of market structure where a **few large firms dominate the market**, and the actions of one firm significantly affect the others. This market lies **between perfect competition and monopoly**. Here are the key characteristics explained in detail:

Characteristics of Oligopoly Market

1. Few Big Firms

- Only **a small number of sellers** control the whole market.
- Each firm is big and important.
- Example: Car companies like Maruti, Hyundai, Tata.

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2. Firms Depend on Each Other

- If one firm changes price, others **quickly notice and react**.
- Every firm keeps an eye on others before making any decision.
- Example: If one airline reduces ticket price, others may also reduce.

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3. High Barriers to Entry

- It is **not easy** for new companies to enter the market.
- Reasons:
  - High investment needed
  - Strong brand names
  - Advanced technology
- Because of this, only a few big companies stay in the market.

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4. Price Stability (Sticky Prices)

- Prices usually **do not change often**.
- Firms avoid changing price because:
  - If one firm cuts price → others may also cut → **price war**
  - Everyone may lose profit
- So they keep prices stable.

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5. Non-Price Competition

- Instead of changing prices, firms compete in **other ways**, such as:
  - Advertising
  - Better quality
  - Better features

    - Customer service
- Example: Phone companies add new features instead of reducing price.

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6. Product May Be Same or Different

- Products can be **similar** (cement, steel)
- Or **slightly different** (cars, shampoo, phones)
- They try to make products look special using branding and design.

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7. Possibility of Cooperation (Collusion)

- Since there are few firms, they may **work together secretly**.
- They may fix price or divide market among themselves.
- Example: OPEC countries decide oil prices together.
- This is illegal in many countries, but sometimes still happens.

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8. Large-Scale Production

- Firms in oligopoly are usually **big and use large machines, factories, and technology**.
- They need a lot of money to run the business.

(b) Explain Law of variable proportions.

• Meaning of the Law

- The Law of Variable Proportions explains what happens to **total output** when a firm increases only **one input** (like labour) while keeping **other inputs fixed** (like land or machines).
- It applies in the **short run**, where at least one factor is fixed.

- According to the law, when more units of the variable factor are added, output first increases fast, then increases slowly, and finally may start decreasing because the fixed factor gets over-used.

• Works Only in the Short Run

- In the short run, firms **cannot change all inputs**.
- For example, land, building, and machines remain the same, but labour or raw materials can be increased.
- Because of this, the effect of adding more workers to a fixed resource becomes very important, and this law explains that effect.

• Stage 1: Increasing Returns to the Variable Input

- In the beginning, when a small number of workers work with a fixed input, the output increases rapidly.
- This happens because the fixed input was **under-utilized**, and adding more workers helps in using the fixed resources more efficiently.
- Workers can **divide tasks**, specialize, and help each other, which improves efficiency.
- During this stage, the **Marginal Product (MP)** of each additional worker increases, and the **Total Product (TP)** grows at an increasing rate.

• Stage 2: Diminishing Returns to the Variable Input

- After the fixed input is fully used, adding more workers still increases the total output but at a **slower rate**.
- The extra workers do not produce as much as the earlier workers because the fixed input becomes **crowded**.
- Workers may have to wait to use the same machine, or they may interfere with each other's work.

- Marginal Product starts falling but remains positive, and Total Product still increases but at a decreasing rate.
- This stage is the **most realistic and most important stage** for businesses, as firms generally operate here.

• Stage 3: Negative Returns to the Variable Input

- If the firm keeps adding more and more workers beyond the point of diminishing returns, the total output begins to **fall**.
- This means the Marginal Product becomes **negative**.
- The fixed input becomes **over-utilized**, and the production space becomes too crowded.
- More workers create confusion and reduce efficiency, so the firm actually produces less than before.
- No rational firm will operate in this stage because extra workers reduce total output.

• Reason for All Three Stages

- The main reason behind all these stages is that **one input is fixed**.
- At first, the fixed input has unused capacity, so output increases quickly.
- After full use, extra workers have limited resources, so output increases slowly.
- Finally, too many workers cause inefficiency and output decreases.

• Importance of the Law

- This law helps producers decide **how much labour to employ** and at what point they should stop adding more workers.
- It helps firms find the **most efficient combination of inputs** and avoid wastage of resources.

- It is helpful in planning **cost of production** because each stage affects the cost differently.
- It is a guiding tool in understanding the **short-run behaviour of production** and helps businesses increase productivity.

• Conclusion

- The Law of Variable Proportions gives a clear picture of how output behaves when one input varies and others stay fixed.
- It shows a natural pattern: first increasing returns, then diminishing returns, and finally negative returns.
- This law is essential for understanding production planning and resource allocation in the short run.

(c) Explain GNP, GDP, NNP, NDP.

1. Gross Domestic Product (GDP)

- **Meaning:**
  GDP refers to the **total value of all final goods and services produced within the country's boundary** in one year.
- It includes all production done by **Indian citizens and foreign companies located inside India**.
- Example: Cars produced by Maruti (Indian) and Hyundai (Korean company in India) — both are counted in India's GDP.
- **Key idea:** Location-based.
- **Formula:**

  GDP=C+I+G+(X−M)GDP = C + I + G + (X - M)GDP=C+I+G+(X−M)

  Where:

  - **C** = Consumption
  - **I** = Investment
  - **G** = Government spending

- $\mathbf{X - M}$ = Exports − Imports

- **Importance:**
    - Shows the country's total production.
    - Used to measure economic growth.

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2. Gross National Product (GNP)

- **Meaning:**
  GNP refers to the **total value of final goods and services produced by the citizens of a country**, **whether they are inside the country or abroad**, in one year.
- It includes production by **Indian citizens in foreign countries**, but excludes production by **foreigners inside India**.
- Example:
    - Income earned by an Indian engineer working in USA → **included in GNP**.
    - Income earned by a foreign worker in India → **not included in GNP**.
- **Key idea:** Citizenship-based.
- **Formula:**

  GNP=GDP+Net Factor Income from Abroad (NFIA)GNP = GDP + \text{Net Factor Income from Abroad (NFIA)}GNP=GDP+Net Factor Income from Abroad (NFIA)

- **Importance:**
    - Shows the income of the nation's citizens.
    - Helps understand how much the citizens earn globally.

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3. Net Domestic Product (NDP)

- **Meaning:**
  NDP is the **value of final goods and services produced within the country**, **after subtracting depreciation**.
- Depreciation means **wear and tear of machines, tools, and capital** due to regular use.
- **Formula:**

NDP=GDP−DepreciationNDP = GDP - \text{Depreciation}NDP=GDP−Depreciation

- **Why depreciation is subtracted:**
  - Because machines lose value every year, so NDP shows **actual, real production**.
- **Importance:**
  - Helps measure the country's real production after adjusting for capital loss.

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4. Net National Product (NNP)

- **Meaning:**
  NNP is the **total income of the citizens**, after subtracting depreciation.
- It shows the **net production of the nation's citizens**, both inside the country and abroad.
- **Formula:**

  NNP=GNP−DepreciationNNP = GNP - \text{Depreciation}NNP=GNP−Depreciation

- **Important note:**
  - When NNP is measured at **factor cost**, it is also called **National Income**.
- **Importance:**
  - Shows the real economic strength of the citizens.
  - Used to calculate national income.

OR

Q.3 (a) Describe causes of inflation.

Inflation means a **continuous increase in the general price level of goods and services**. There are several reasons why prices keep rising in an economy. The major causes are explained below:

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1. Demand-Pull Inflation (Increase in Demand)

- This happens when **total demand in the economy becomes greater than the total supply** available.
- When people have **more money**, they buy more goods.
- Firms cannot increase supply immediately, so they raise prices.
- Example: During festivals, people buy more gold, clothes, and sweets. Since demand rises suddenly, prices increase.
- **Main reasons:** Increase in income, government spending, rise in exports, cheap loans from banks, growth of population.

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2. Cost-Push Inflation (Increase in Production Costs)

- This inflation is caused when the **cost of producing goods increases**.
- When raw materials, petrol, diesel, electricity, or wages become expensive, companies **increase the price** of their products to maintain profit.
- Example: If the price of crude oil rises in the world market, the cost of transport and manufacturing rises → final product prices go up.

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3. Increase in Money Supply

- When the **government prints more currency**, or banks provide **too many loans**, people have more money in hand.
- More money chases the same amount of goods → prices increase.
- This is also called **monetary inflation**.
- Money supply rises due to government borrowing, deficit financing, or lower interest rates.

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4. Increase in Government Spending

- When the government spends on schools, roads, hospitals, military, subsidies, or social schemes, large amounts of money enter the economy.
- This increases **overall demand**, which may push prices upward.
- When government spending is not matched by higher production, inflation rises.

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5. Shortage of Goods / Supply-Side Problems

- If supply reduces due to **poor monsoon, natural disasters, floods, war, strikes, or transportation issues**, prices rise automatically.
- Example: Poor rainfall reduces food grain production → fewer goods → higher prices.
- Supply shortage creates scarcity, leading to higher demand and increased prices.

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6. Imported Inflation

- When the prices of **imported goods rise in the international market**, the domestic price level also rises.
- India imports crude oil, machinery, technology, electronic items.
- If these become costly, production cost increases → final product prices increase in the country.

---

7. Increase in Wages and Salaries

- When workers demand higher wages, companies pay more for labor.
- To cover this extra cost, businesses **increase the price** of goods and services.
- This creates **wage–price spiral**: Higher wages → Higher prices → Workers demand more wages → More inflation.

---

8. High Taxes

- If the government imposes **higher GST, excise duty, or income taxes**, the cost of producing goods increases.
- Companies pass this tax burden to consumers by raising prices.
- Example: Higher tax on fuel increases transportation cost → most product prices rise.

---

9. Growth of Population

- Rapid increase in population increases **demand for food, clothing, housing, and basic services**.
- If production does not grow at the same pace, scarcity arises → prices rise.

(b) What do you understand by term absolute & relative poverty.

Absolute Poverty & Relative Poverty

1. Meaning of Absolute Poverty

- Absolute poverty means a situation where a person **does not have enough income to meet basic needs** required for survival.
- These basic needs include **food, clothing, shelter, healthcare, clean water, and education**.
- It is measured using a **fixed minimum income level**, called the **poverty line**.
- If a person's income is **below this fixed line**, he is called absolutely poor.

Key Points of Absolute Poverty

- Based on **minimum physical needs** for survival.
- Uses a **constant measure**, same for all people in a country.
- Does not change with changes in society's income level.
- More common in developing countries like India, Bangladesh, Nepal.

Example

- If the poverty line is ₹1,000 per week, and a family earns only ₹700, they fall under **absolute poverty**.

---

2. Meaning of Relative Poverty

- Relative poverty means a situation where a person's **income is lower compared to the average income of society**.
- Even if basic needs are met, a person is relatively poor if their income is **much lower than others** around them.
- It refers to **inequality** rather than survival needs.

Key Points of Relative Poverty

- Based on **comparison** with others' income.
- Changes when society's overall income changes.
- Common in **developed countries**, where basic needs are fulfilled but income gaps exist.
- Shows **economic inequality**, not hunger or starvation.

Example

- If average income in a country is ₹80,000 per month and a person earns only ₹20,000, they are **relatively poor** even if they can survive normally.

(c) Explain in detail what items would you include to figure out the opportunity cost of a vacation to Disney World.

Opportunity Cost of a Vacation to Disney World

Opportunity cost means **the value of the next best alternative that you give up** when you make a choice.
So, when you decide to go on a vacation to Disney World, you sacrifice several things—money, time, earnings, and other experiences.

To calculate the **total opportunity cost**, we must consider not only the money we spend but also what we *give up* by choosing this vacation.

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1. Cost of Transportation (Actual Money Spent + What You Sacrifice)

- Air tickets or train/bus travel to Florida (or to the Disney location).
- Fuel and parking if you go by your own vehicle.
- **Opportunity cost side:**
  - You could have used the same travel money for another trip, savings, or buying something valuable.

---

2. Cost of Hotel/Accommodation

- Charges for staying in a hotel or resort near Disney World.
- This includes room rent, taxes, and any booking fees.
- **Opportunity cost side:**
  - The money spent on hotels could be used for home improvement, paying bills, or investing.

---

3. Disney World Tickets and Entertainment Costs

- Entrance tickets, multi-day passes, rides, shows, and events.
- Souvenirs, toys, gifts, theme-park merchandise.
- **Opportunity cost side:**
  - You could spend the same money on another vacation, a family celebration, or your education.

---

4. Food and Daily Living Expenses

- Meals inside the theme park, snacks, drinks, and water.

- Restaurant costs, convenience store items, or delivery meals.
- **Opportunity cost side:**
    - Eating at home would cost much less, saving money.

---

5. Lost Work Income (The Most Important Part of Opportunity Cost)

This is often the **biggest and most ignored item**.

- If you take 4–5 days off from work, you may lose your salary for those days (in case you don't have paid leave).
- Even if you have paid leave, you sacrifice the chance to work overtime, do freelance gigs, or earn extra income.
- **Opportunity cost side:**
    - This lost earning is a real opportunity cost because you gave up income to go on the trip.

---

6. Time Cost

Time is valuable and limited.

- The time spent traveling, standing in queues, resting, and planning the trip has value.
- **Opportunity cost side:**
    - You could spend this time studying, working, learning a new skill, or doing personal hobbies.

---

7. Alternative Vacation or Activity You Give Up

Opportunity cost includes what you *could have done instead*.

Examples:

- A trip to another destination (Goa, Kerala, Dubai, Europe).

- A relaxing holiday at home.
- Visiting family or friends.
- Taking a short course or certificate program.

When you choose Disney, you give up all these alternative options.

---

8. Stress, Effort, and Planning Costs (Non-monetary Cost)

- Planning the trip takes time and effort.
- Traveling with kids or in crowded parks may cause stress.
- Extra mental energy spent on packing, budgeting, booking.
- These non-financial costs still count under opportunity cost because they represent the "next-best use" of your energy and time.

---

9. Savings and Investments You Could Have Made

- The money spent on vacation could be invested in:
  - Fixed deposits
  - Stock market
  - Mutual funds
  - Emergency fund
  - Future education
- By going on a vacation, you give up the **future interest or returns** that investment could have earned.

Q.4 (a) Explain with example sunk cost and variable cost

1. Sunk Cost

- **Sunk cost** is a cost that has **already been spent** and **cannot be recovered**, no matter what decision you take in the future.
- It does not change with output or future actions.
- You should **not consider** sunk cost while making new decisions.

Example:

If a company spends **₹50,000** on advertising for a product and later decides to stop the product, that **₹50,000 cannot be recovered**.
This is a **sunk cost**.

---

2. Variable Cost

- **Variable cost** is the cost that **changes with the level of output**.
- When production increases, variable cost increases; when production decreases, the cost decreases.
- These costs depend on the number of units produced.

Example:

Cost of **raw materials** like wood for furniture.
If a company produces more tables, it will buy more wood → **variable cost increases**.
If production stops, cost becomes zero

(b) Differentiate management and administration.

Basis	Management	Administration
Meaning	• Execution of plans	• Formulation of plans
Level	• Middle & lower	• Top level
Main focus	• Doing the work	• Setting the goals
Type of decisions	• Short-term	• Long-term
Nature of work	• Operational	• Policy-making

Concept of Management & Administration

Comparison Chart

BASIS FOR COMPARISON	MANAGEMENT	ADMINISTRATION
Meaning	An organized way of managing people and things of a business organization is called the Management.	The process of administering an organization by a group of people is known as the Administration.
Authority	Middle and Lower Level	Top level
Role	Executive	Decisive
Concerned with	Policy Implementation	Policy Formulation
Area of operation	It works under administration.	It has full control over the activities of the organization.
Applicable to	Profit making organizations, i.e. business organizations.	Government offices, military, clubs, business enterprises, hospitals, religious and educational organizations.
Decides	Who will do the work? And How will it be done?	What should be done? And When is should be done?
Work	Putting plans and policies into actions.	Formulation of plans, framing policies and setting

(c) Explain the types of managers with examples.

Types of Managers

In any organisation, managers work at different levels and handle different responsibilities. Managers can be divided into **three main types** based on their position in the organisation:

---

1. Top-Level Managers

These are the **highest-level managers** who control the whole organisation.

Roles

- Set goals, vision, and mission of the organisation.
- Make long-term decisions and company policies.
- Guide all other managers.
- Maintain relations with shareholders, government, and the public.

Common Designations

- CEO (Chief Executive Officer)
- MD (Managing Director)
- Chairman / Board of Directors
- President

Example

The **CEO of Tata Motors** decides the company's long-term strategy, new markets, and major investments.
He does not manage day-to-day work but sets the big direction for the company.

---

2. Middle-Level Managers

These managers act as a **bridge** between top-level and lower-level managers.

Roles

- Implement policies made by top-level managers.
- Plan departmental activities.
- Coordinate between different departments (Finance, Sales, HR, Production).

- Motivate employees and communicate instructions.

Common Designations

- Department Head
- Branch Manager
- Plant Manager
- Regional Manager

Example

A **Sales Manager** receives targets from top management and decides how to achieve them with the help of the sales team.
He monitors performance and reports results to higher managers.

---

3. Lower-Level Managers (First-Line Managers / Supervisors)

These are managers who **directly supervise workers** and handle daily activities.

Roles

- Assign work to employees.
- Maintain quality and check performance.
- Handle daily problems, safety, and discipline.
- Ensure that tasks are completed on time.

Common Designations

- Supervisor
- Foreman
- Team Leader
- Office Manager

Example

A **Shift Supervisor in a factory** watches the workers, checks machines, ensures production is smooth, and solves small issues immediately.

---

4. Functional Managers

These managers are responsible for **one specific function** of the organisation.

Types and Examples

- **HR Manager** – handles recruitment, training, salaries, employee welfare.
- **Finance Manager** – controls budgeting, accounts, and financial planning.
- **Marketing Manager** – oversees advertising, promotion, branding.
- **Production Manager** – ensures manufacturing runs smoothly.
- **IT Manager** – manages computer systems and software.

Example:

An **HR Manager of Infosys** recruits new employees and manages training programs.

---

5. General Managers

These managers handle **multiple functions** at the same time in one unit.

Roles

- Oversee daily operations
- Coordinate departments under one branch
- Take administrative and operational decisions

Example:

A **Hotel General Manager** supervises the entire hotel: rooms, housekeeping, kitchen, staff, events, and customer service.

6. Project Managers

Managers responsible for **completing a specific project** within time and budget.

Roles

- Plan project stages
- Manage teams
- Monitor progress
- Solve risks and issues

Example:

A **Construction Project Manager** plans and manages the building of a new bridge or mall.

OR

Q.4 (a) Describe functions of RBI

The **Reserve Bank of India (RBI)** is the central bank of the country. It performs many important functions to ensure financial stability.

✓ 1. Issuer of Currency

- RBI has the authority to print and issue currency notes in India (except ₹1 note and coins).
- It ensures an adequate supply of clean and genuine notes.
- It replaces damaged or old notes to maintain trust in the currency system.

✓ 2. Banker to the Government

- RBI manages all banking transactions of the Central and State governments.
- It receives government revenues and makes payments on their behalf.

- It also helps the government by managing public debt and issuing government securities.

✅ 3. Banker's Bank

- RBI acts as a bank for all commercial banks in India.
- Banks keep a part of their deposits with the RBI as reserves.
- RBI offers financial assistance and regulates the functioning of banks when needed.

✅ 4. Controller of Credit / Monetary Authority

- RBI controls the supply of money and credit in the economy.
- It uses tools like CRR, SLR, bank rate, repo rate to regulate inflation and growth.
- Its goal is price stability and smooth economic functioning.

✅ 5. Custodian of Foreign Exchange Reserves

- RBI manages India's foreign exchange reserves like USD, gold, etc.
- It maintains stability of the Indian rupee in international markets.
- RBI intervenes in the forex market to control fluctuations.

✅ 6. Supervisor and Regulator of Financial System

- RBI makes rules and guidelines for banks and financial institutions.
- It ensures safety, transparency, and discipline in the banking system.
- It conducts inspections and audits to protect customers.

(b) Explain Needs Maslow's theory of management.

Maslow’s Theory of Needs

Maslow’s Need Hierarchy Theory states that human needs are arranged in a **hierarchy**, and people are motivated to satisfy **lower-level needs first**, then move to higher-level needs. Maslow divided human needs into **five levels**, arranged in a pyramid.

---

1. Physiological Needs (Basic Needs)

- These are the most basic needs required for survival.
- Examples: food, water, air, rest, sleep, shelter.
- A worker first needs proper salary, meals, and rest to work effectively.

---

2. Safety and Security Needs

- After basic needs, people want safety from physical and emotional harm.
- Examples: job security, safe workplace, stable income, health protection.
- Employers ensure safety rules, medical benefits, and permanent jobs.

---

3. Social / Love / Belonging Needs

- Humans want friendship, love, teamwork, and a sense of belonging.
- Examples: good relationships with colleagues, group activities, friendly environment.
- Managers motivate employees by teamwork, communication, and supportive culture.

---

4. Esteem Needs (Status & Recognition)

- People want respect, status, appreciation, and recognition for their work.
- Examples: awards, promotions, good job titles, appreciation letters.
- Managers motivate employees by appreciating their achievements.

---

5. Self-Actualization Needs (Growth & Potential)

- Highest level: desire to grow, develop skills, and reach one's full potential.
- Examples: creativity, learning opportunities, challenging work, leadership roles.
- Managers provide training, freedom of work, and opportunities for innovation.

(c) Explain types of money in detail.

☆ Types of Money (Detailed – 7 Marks Answer)

Money is anything that is widely accepted as a **medium of exchange**, **store of value**, **unit of account**, and **means of deferred payment**.
Over time, different forms of money developed based on how societies trade and store value.

Below are the **main types of money**, explained in detail with easy examples:

---

1. Commodity Money

- Commodity money is money that has value **in itself**, even if it is not used as money.
- The money is made of a material that is valuable.
- Examples: gold, silver, copper, grains, cattle.
- People accepted these items because they had **real use**, like making jewelry or food.

Why used?
Because everyone agreed the commodity had natural value.

---

2. Metallic Money

- Metallic money is made using metals like **gold, silver, copper, nickel**.
- These coins were stamped by the government and used for trade.

- Metallic money is durable and lasts long.

Examples: Gold coins, silver coins, copper coins used in old India.

---

3. Paper Money

- Paper money is currency issued by the government or the central bank (RBI in India).
- It has **no physical value** of its own; its value comes from government guarantee.
- It is lightweight, easy to carry, and easy to print.

Examples: ₹10, ₹50, ₹100, ₹500, ₹2000 notes.

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4. Fiat Money

- Fiat money has value because the **government declares it as legal tender**.
- It is not backed by gold or silver.
- The value is based on **trust in the government**.

Example: All modern Indian currency notes are fiat money.

---

5. Fiduciary Money

- Fiduciary money is issued against the **trust of the public**, not fully backed by reserves.
- Banks issue fiduciary money and guarantee its value.

Examples: Cheques, drafts, bills of exchange.

Meaning: Its value depends on the trust that the issuer (bank) will pay.

---

6. Credit Money (Bank Money)

- Credit money is created when banks give loans or accept deposits.
- This money exists in **bank accounts**, not as physical cash.
- When a bank gives a loan, it increases the money supply in the economy.

Examples:

- Money in bank accounts
- ATM deposits
- Digital loan entries

---

7. Plastic Money

- Plastic money refers to money stored in **cards** used for electronic transactions.
- It reduces the need to carry cash physically.

Examples:

- Debit cards
- Credit cards
- Prepaid cards
- ATM cards

---

8. Electronic / Digital Money

- This is money used for online transactions through electronic systems.
- It exists only in digital form, not paper or coins.

Examples:

- UPI payments
- Online banking
- E-wallets like Paytm, Google Pay, PhonePe

- Net banking transfers

---

9. Near Money

- Near money is not actual money but can be **easily converted to cash** when needed.
- These items store value safely and can be turned into money quickly.

Examples:

- Fixed deposits
- Bills of exchange
- Treasury bills
- Government bonds

Q.5 (a) Enlist types of money.

Types of Money

1. **Commodity Money** – Money with intrinsic value (e.g., gold, silver, wheat).
2. **Metallic Money** – Coins made of metals like gold, silver, copper.
3. **Paper Money** – Currency notes issued by the government or RBI.
4. **Fiat Money** – Money declared legal by the government without intrinsic value.
5. **Fiduciary Money** – Money based on trust (e.g., cheques, drafts).
6. **Credit Money / Bank Money** – Money in bank deposits or created through loans.
7. **Plastic Money** – Cards used for transactions (debit, credit, prepaid cards).
8. **Digital / Electronic Money** – Money used for online transactions (UPI, e-wallets).

(b) Explain importance of Corporate Social Responsibility.

Corporate Social Responsibility (CSR) – Importance

Corporate Social Responsibility (CSR) means that **businesses take responsibility for the impact of their activities on society and the environment**. It is about contributing to the welfare of society while running the business.

Importance of CSR

1. **Improves Company Image**
   - CSR helps build a **positive reputation** in society.
   - People trust companies that **support social causes**, like education or health care.
2. **Builds Customer Loyalty**
   - Customers prefer buying from companies that **care for society and environment**.
   - This can increase sales and long-term customer support.
3. **Enhances Employee Morale**
   - Employees feel proud to work in socially responsible companies.
   - It increases **motivation, satisfaction, and loyalty**.
4. **Supports Community Development**
   - CSR projects help **education, health, sanitation, and rural development**.
   - Companies contribute to creating **better living standards** in society.
5. **Environmental Protection**
   - Companies adopt eco-friendly practices like **reducing pollution, using renewable energy, and recycling**.
   - This benefits both the community and the business.
6. **Long-Term Business Growth**
   - CSR builds goodwill with society, customers, and government.
   - This **helps in sustainable growth** and attracts investors.

(c) Explain skills of managers in detail.

1. Technical Skills

- Ability to **use tools, techniques, and knowledge** required for a specific job.
- Important for **lower and middle-level managers**.
- Example: An IT manager should know programming, a factory manager should know production processes.

2. Human / Interpersonal Skills

- Ability to **communicate, motivate, and manage relationships** with employees.
- Helps managers **resolve conflicts and work effectively with teams**.
- Example: Encouraging employees to cooperate in a project.

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3. Conceptual Skills

- Ability to **understand the organization as a whole** and its relation to the environment.
- Important for **top-level managers** to make strategic decisions.
- Example: Planning a new business expansion considering market trends.

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4. Decision-Making Skills

- Ability to **analyze situations and choose the best option** among alternatives.
- Includes problem-solving, risk assessment, and judgment.
- Example: Deciding whether to launch a new product or not.

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5. Communication Skills

- Ability to **express ideas clearly and listen effectively**.
- Essential for instructions, coordination, and motivation.
- Example: A manager explaining tasks to the team clearly.

---

6. Time Management Skills

- Ability to **prioritize tasks and meet deadlines**.
- Helps increase productivity and reduce stress.
- Example: Planning daily, weekly, and monthly activities to avoid delays.

7. Leadership Skills

- Ability to **inspire, guide, and influence employees** to achieve organizational goals.
- Combines vision, motivation, and team building.
- Example: A project manager motivating the team to complete work before the deadline.

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8. Emotional Intelligence (EI)

- Ability to **understand and control one's emotions and respond to others** appropriately.
- Helps in building good relationships and managing stress.
- Example: Staying calm during a conflict and resolving it positively.

---

9. Strategic / Planning Skills

- Ability to **plan for the future and set long-term goals**.
- Helps in aligning resources, people, and processes for success.
- Example: Preparing a 5-year growth plan for the company.

OR

Q.5 (a) Justify Management is an art .

Management is an Art

Management is called an **art** because it requires **practical application of knowledge, skill, and creativity** to achieve organizational goals.

Reasons why Management is an Art:

1. **Practical Knowledge**

- Managers use **experience, practice, and understanding** to handle real situations effectively.
- Example: A manager uses past experience to solve production delays.

2. **Skillful Application**
   - Management requires **skills in planning, leading, organizing, and controlling**.
   - Example: Proper delegation and team coordination to complete a project.
3. **Creativity and Personal Style**
   - Every manager develops their **own approach or style** to solve problems and motivate employees.
   - Example: One manager may motivate through rewards, another through appreciation and guidance.
4. **Achieving Desired Results**
   - Like an artist creates a painting, managers **create results through people**.
   - Success depends on **skillful use of resources and human effort**.

Management is an art because it **combines knowledge, skill, creativity, and personal judgment** to achieve organizational goals efficiently.

(b) Explain Business Ethics in detail.

Business Ethics – Detailed Explanation

Business ethics refers to the **principles and standards that guide behavior in the business world**.
It helps businesses decide what is **right or wrong** while dealing with employees, customers, competitors, and society. Ethical behavior builds **trust, reputation, and long-term success** for the organization.

Key Features of Business Ethics

1. **Guides Conduct**
   - Helps employees and managers act in a **moral and responsible manner**.

    - Example: Avoiding cheating in sales or falsifying accounts.
2. **Decision-Making Framework**
    - Provides a framework for **making ethical choices** in business operations.
    - Example: Choosing environmentally friendly methods even if cost is higher.
3. **Protects Stakeholders**
    - Ensures fairness to **employees, customers, suppliers, and society**.
    - Example: Paying fair wages, providing quality products, safe working conditions.
4. **Promotes Social Responsibility**
    - Encourages companies to **contribute to society** beyond profit-making.
    - Example: Funding education, healthcare, environmental protection.

Importance of Business Ethics

1. **Builds Trust and Reputation**
    - Ethical behavior increases **customer loyalty** and enhances company image.
2. **Reduces Legal Issues**
    - Following laws and ethical guidelines reduces **risk of lawsuits and penalties**.
3. **Improves Employee Morale**
    - A fair and ethical workplace **motivates employees** to work better.
4. **Ensures Long-Term Success**
    - Ethical companies enjoy **sustainable growth** and stronger relationships with stakeholders.

Examples of Business Ethics

- Honest advertising without misleading claims.
- Fair treatment of employees regardless of gender or caste.
- Avoiding pollution or harmful environmental practices.
- Paying taxes honestly and transparently.

(c) Explain importance & attributes of culture in an organization.

Culture in an Organization

Organizational culture refers to the **shared values, beliefs, norms, and practices** that guide how people behave and interact in a company.
A strong culture helps employees understand **what is acceptable and expected**, creating unity and improving performance.

Importance of Organizational Culture

1. **Guides Employee Behaviour**
    - Culture provides a framework for employees on **how to behave, work, and interact**.
    - Example: A company valuing honesty encourages transparent communication.
2. **Improves Teamwork and Cooperation**
    - Shared values create **harmony among employees**, leading to better collaboration.
    - Example: Team-oriented culture motivates people to help each other.
3. **Boosts Productivity and Efficiency**
    - Employees motivated by culture are **more committed and productive**.
    - Example: Reward-based culture increases output and quality.
4. **Helps in Decision Making**
    - Culture gives **guidelines for choices**, reducing conflicts and mistakes.
    - Example: Ethical culture guides managers to make fair decisions.
5. **Creates Organizational Identity**
    - A strong culture gives a company **its unique personality and reputation**.
    - Example: Google is known for innovation and creativity because of its culture.
6. **Facilitates Change Management**
    - Culture helps employees **accept changes** more easily.
    - Example: Flexible culture adapts quickly to new technology or policies.

Attributes of Organizational Culture

1. **Values and Beliefs**
    - Core principles guiding behavior in the organization.
    - Example: Honesty, integrity, innovation.
2. **Norms**
    - Unwritten rules about acceptable behavior.
    - Example: Dress code, punctuality, respect in meetings.
3. **Symbols**
    - Visible signs representing culture.
    - Example: Logos, uniforms, office layout, awards.
4. **Rituals and Ceremonies**
    - Activities and celebrations that reinforce culture.
    - Example: Annual awards, team outings, festivals celebrations.
5. **Work Climate**
    - The general atmosphere experienced by employees.
    - Example: Friendly, competitive, relaxed, or disciplined work environment.
6. **Leadership Style**
    - How managers treat and guide employees reflects culture.
    - Example: Democratic leaders encourage participation; autocratic leaders make top-down decisions.
7. **Communication Patterns**
    - How information flows within the organization.
    - Example: Open culture encourages feedback and discussion.

A strong organizational culture is essential because it **guides behavior, improves teamwork, boosts productivity, aids decision-making, and gives identity** to the company.
Its attributes like **values, norms, symbols, rituals, leadership, and communication** shape employee behavior and overall organizational success.